Pennsylvania Department of Education
333 Market Street
Harrisburg, PA 17126

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Modernizing the E-rate Program	)	WC Docket No. 13-184
For Schools and Libraries	)	

Initial Comments of the Pennsylvania Department of Education In Response to FCC Public Notice DA 19-58 Seeking Comments on the E-rate Category 2 Initiative

On behalf of the schools and libraries in the Commonwealth of Pennsylvania,[1] we respectfully submit these comments in response to the Commission's Notice of Proposed Rule Making related to the future of E-rate Category 2 initiative.

First and foremost, we wish to express our thanks to the Commission for not simply proposing to extend the existing Category 2 initiative and rules, but for searching for ways to meaningfully improve it. E-rate is a vastly complex program, which was unintentionally made even more complex when the program was revamped in 2014. We applaud the FCC for what we hope will be a new, much improved Category 2 initiative that eliminates or greatly reduces many of its onerous regulations.

[1] Pennsylvania has 1.77 million public school students in 760 public school districts, vocational technical schools and charter schools; 229,000 nonpublic private school students in 1900 nonpublic schools; and more than 600 public libraries. While we have several large urban districts like Philadelphia and Pittsburgh, most of our applicants are small to medium sized, suburban and rural schools and libraries.

Although one goal of the 2014 E-rate reforms was program simplification, at that time we did not have the benefit of experience with the current Category 2 structure to fully understand and be able to recommend meaningful ways that the initiative could be improved. We respectfully submit the following recommendations for which we believe balance the Commission's need to protect the fund from waste, fraud and abuse, with the need to remove much of the red tape that is driving applicants to consultants out of fear there's no way for them to possibly keep track of the myriad of rules, deadlines and forms required to utilize the Category 2 funding.

Our recommendations are summarized as follows:

I. Make the Category 2 Program Permanent.

II. Make Any and All Changes to the Category 2 Program Effective Beginning in Funding Year 2020.

III. Simplify the Category 2 Budget Calculations to the Fullest Extent Possible.

- Calculate Category 2 Budgets at the BEN-Level Instead of School or Library Level
- Reset All Applicants' Category 2 Budgets Starting in FY 2020 and Create a Uniform 5-year Budget Cycle for All Applicants
- Permit 5-year E-rate Discounts, Thus Enabling Stable 5-year Category 2 Budget Levels
- Adjust Category 2 Multipliers Only Once Every 5 Years and Not Annually for Inflation
- Increase School Category 2 Budgets to $250/Student, and Set All Library Budgets at $5/Sq. Foot
- Increase Minimum Budget Floor to $30,000 for Single-School or Single-Library BENs and Establish Multi-School Formula to Determine Minimum BEN-Wide Category 2 Budget

IV. Take Advantage of Downstream Efficiencies that Can be Realized by Moving to BEN-Level Category 2 Budget Calculations.

- Eliminate Building-to-Building Equipment Transfer Limitations
- Eliminate Building-by-Building Allocation of Category 2 Equipment/Services on Form 471

V. Reform Category 2 Eligible Services to Remove Inefficiencies

- Eliminate Queen of Peace "Equivalent" Bidding Requirements for Schools that Have Standardized on a Manufacturer
- Simplify Form 470 by Eliminating Separate Category 2 Sub-Categories
- Allow Upfront Funding of Multi-Year Manufacturer Support Agreements
- Eliminate Requirement to Pro-Rate Pre-Paid, Multi-Year Manufacturer Support Services Agreements
- Eliminate Cost Allocation Requirement for Cabling and Data Distribution

I. Make the Category 2 Program Permanent.

The Pennsylvania Department of Education believes that the first five years of the Category 2 initiative have been a resounding success and should be permanently extended. We are delighted the Commission recognizes that reverting to the 2/5 program would be inefficient, confusing and not in anyone's best interests.

Since FY 2015, Pennsylvania's schools and libraries have received more than $117 million in Category 2 funding, with 97% of it being used for Internal Connections equipment and installation. In FYs 2013 and 2014, no applicant received E-rate funding for Category 2 (then Priority 2), and in the years leading up to 2013, only a small handful of schools in Pennsylvania qualified for and received Priority 2 funding for internal connections equipment due to both the lack of available E-rate funding in certain years and the fact that most of our schools had discounts of less than 90%. Not only is E-rate the single largest source of technology funding available to our schools, it is the *only* source of internal connections funding available to our applicants, and thus, E-rate is not just a luxury for our schools and libraries – it is vitally essential to the delivery of high-quality education and almost every single school and library administrative function.

II. Begin Any and All Changes to the Category 2 Program Effective Beginning in Funding Year 2020.

In order to not create a gap year, and pile on more confusion, uncertainty, and 1-year-based rules and budget calculations, we implore the Commission to direct that all rule changes be implemented for Funding Year 2020, despite the fact that the competitive bidding cycle began July 1, 2019. We also request that these rule changes be announced as quickly as possible in order for applicants, especially those that first utilized their Category 2 budgets in FY 2015, to participate fully.

In making this recommendation, we understand that it may not be possible for USAC's systems and FCC Forms to be updated to reflect the new rules. Regardless, we remain firm in our request that the changes should be made for FY 2020, with manual workarounds established until IT systems and forms can catch up. Any inefficiencies that may be created by manual-processing will be offset by the overall gains in streamlined and expedited application reviews, and program simplification due to the rule changes recommended below.

Alternatively, we cannot imagine how a FY 2021 implementation would be feasible considering the single year of rules and overlapping budget cycles would work administratively, let alone be understandable to applicants. A FY 2020 implementation will be tight considering the Form 471 application window will open in January, but that inconvenience is minor compared to how we as states would explain to our applicants that some rules pertain to some applicants for one year, and other rules will be phased in.

III. Simplify the Category 2 Budget Calculations to the Fullest Extent Possible.

The Commission has a rare opportunity to take a single area of the program, and with minor adjustments, make the entire initiative exponentially better. We encourage you to be bold in your reforms and consider the following proposals:

- **Calculate Category 2 Budgets at the BEN-Level Instead of School and Library Level**

The current rules provide for a pre-discount budget of $150 per student, per building, over a five-year span, adjusted annually for inflation. We strongly recommend, based on feedback from our school officials, that the Category 2 funding formula be flattened so that Category 2 budgets are based on district-wide enrollments, not building enrollments.

Further, we recommend that the manner in which enrollment data is captured in EPC and validated by USAC be changed so that applicants simply enter this aggregate data at the Billed Entity (BEN) level and not at the building level. This single change would save countless hours for applicants when data-entering their enrollment data because the current interface requires applicants to search for each school, and manually-enter the data entity-by-entity as there is no single intake screen where applicants can enter all of their data at the same time. In fact, it takes 9 "clicks" for an applicant to enter the enrollment/NSLP for each school with a sometimes long "working" waiting period while the EPC system updates between clicks.

When the Commission changed the manner in which school districts calculate their E-rate discounts to be district-wide instead of the previous method of using a weighted average, it acknowledged that it was more in line with how districts budgets are administered. We believe that changing the Category 2 funding formula is in keeping with this framework of local control from which district officials can best decide how funding should be allocated in their district. One of the most common questions we receive from district officials is whether they can use Category 2 funding from one school where it is not needed to another school where the Category 2 budget is not sufficient. We are certain that with this change, there will be a higher utilization of Category 2 budgets.

The PIA review of discounts would also be streamlined and take significantly less time because the reviews would be conducted at the overall BEN level, not school-building level. This application processing efficiency would shed days of review and result in faster funding commitments.

Further, while the current method of calculating the *initial* five-year Category 2 school budgets is not overly complicated, it has become unwieldy to determine the amount of funding *remaining* in each school's budget after a portion of the budget has been utilized. Compounding this fact is the unfortunate reality that there is no single repository on USAC's website for a school to determine their *accurate* remaining Category 2 balance by school during the January – March Form 471 application filing window because during the filing window, the Category 2 budget tool does not reflect the updated enrollment data that was entered into each school's EPC interface during the Administrative Window.[2]

By making this single change – using BEN-wide budgets in lieu of school building budgets – several other reforms are possible as outlined further in these comments.

- **Reset All Applicants' Category 2 Budgets Starting in FY 2020 and Create a Uniform 5-Year Budget Cycle for All Applicants**

Although we understand the original intent of providing a five-year, rolling Category 2 budget, we believe the program would benefit overall by aligning all applicants' Category 2, five-year budgets to start and end with the same funding years. By resetting all budgets in FY 2020, the FCC will have the flexibility to make changes to the Category 2 program moving forward without grandfathering applicants that have or have not utilized their Category 2 funding. Further, USAC will not be burdened with attempting to maintain a database to identify which year a certain applicant's Category 2 budget has been restored to full funding and certainly new school officials coming into the district won't have to research where they are in their funding cycle. By restarting all applicants' Category 2 budgets in FY 2020, regardless of the first year they were committed funding, it will remove yet one more source of confusion.

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[2] We have several recommendations related to improving the Category 2 budget tool on the USAC website, for which we will not outline in these comments, but can provide upon request. Although these recommendations will change based the final Category 2 budget rules, one of the biggest opportunities for improvement is the ability to download Category 2 budget used and budget remaining data. The current interface has no mechanism to download this data into a spreadsheet, which is how most districts visualize and interpret data, and how state officials create outreach materials for their applicants. We should not make busy school and library administrators embark on a cut and paste and manual calculation journey simply to keep track of their remaining Category 2 funds. Such an improved tool also will greatly assist USAC during PIA review because applicants will submit far fewer Category 2 applications that are over their Category 2 budgets.

- **Permit 5-year E-rate Discounts, Thus Enabling Stable 5-Year Category 2 Budget Levels**

First, building on the previous recommendation that all applicants be subject to a uniform, 5-year budget cycle, we strongly recommend that all Category 2 budgets be based on enrollment data provided in the first year of that budget cycle. Applicants would be required to update and validate their BEN's enrollment at the beginning of each new cycle (FY 2020, 2025, 2030, etc.) and then that validated enrollment data would be used as a constant for the next 5 funding years. Such a rule change would have many positive results:

a) It would establish 5 years of certainty, whereby applicants could know what amounts they had available for their Category 2 technology planning needs;

b) The complex formulas needed to determine the remaining funding amounts each year would disappear; and

c) The Administrator would only need to validate an applicant's E-rate discount once every 5 years, this creating certainty in planning purposes for USAC and its contractor, and significantly reducing the work effort needed in the remaining four years.

Although this proceeding relates only to the Category 2 initiative, we fully recognize and enthusiastically embrace the impact this move to 5-year Category 2 base budgets would have on a BEN's E-rate discount level. By allowing applicants to use a baseline dataset for enrollments, the logical conclusion would be that applicants also would be permitted to use their same E-rate discount for their 5-year cycle, for both Category 1 and Category 2 applications. Not only would this create much-needed simplicity, but we cannot comprehend how it would work any other way as it would not be illogical to have applicants update their enrollments once every 5 years, but then require them to update their NSLP data annually.

In exchange for the streamlining and faster FCDLs that would be realized, most applicants would not update their enrollment and NSLP data year-to-year, except in certain situations where numbers have changed significantly.[3] The reality is that occasionally schools have enrollments that increase significantly due to school mergers and restructurings, or a sudden in influx of students from other schools resulting from a natural disaster or other similar situation. Likewise, NSLP eligibility also can change due to factory closings, local or nationwide economic downturns, etc. In these specific situations, schools and libraries should be permitted to "recertify" their information with USAC in order to claim a higher discount or higher Category 2 budget. We recommend that the term "significantly" be defined at a 10% or greater increase in enrollment or NSLP eligibility.

In keeping with the goal of simplification and uniformity, we do not recommend that applicants be permitted recertify their data each time their enrollment increases by a small number of students. In exchange for the simplicity and efficiency of the 5-year budget and 5-year discount, applicants should understand that minor fluctuations – either up or down – are to be expected. If the program permits applicants to recertify their data annually for even a small increase in students, it will continue to be bogged down in inefficiency.

- **Adjust Category 2 Budget Multipliers Only Once Every 5 Years and Not Annually for Inflation**

We recommend that, for the sake of simplification, budget tracking, application processing and systems development, Category 2 budget multipliers only be adjusted once every 5 years, and such an adjustment be announced 18 months prior to the start of the next 5-year Category 2 cycle. For example, if the first set 5-year budget cycle is FY 2020 – FY 2024, and the next budget cycle is FY 2025 – FY 2029, the budget multiplier would be announced by January 1, 2024 (18 months prior to the January 1, 2025 funding year start date).

Further, we suggest that the budget multiplier adjustment may not be tied directly to the actual inflation factor for the preceding year. Perhaps the Commission could seek comment on the sufficiency of the multiplier amount and adjust it based on actual needs, or use historical 5-year inflation rates as one of several indicators to guide the multiplier amounts. Under the current inflation-based adjustment, the annual inflation factor, and thus the new multiplier for the upcoming year, is announced in the middle of the E-rate Form 471 filing window, thus almost too late to be of any real assistance for applicants during their planning and procurements. While the increases have been welcome, they come so late and are so small so that they are just a new source of confusion in an already difficult and stressful time of year.

We are not seeking to advocate that applicants sustain a net loss of E-rate funding by any measure. Instead, we are seeking to make the Category 2 pre-discount budget calculation and application process as simple as feasibly possible for both applicants and the Administrator. Let's give applicants the peace of mind in knowing their Category 2 budgets do not fluctuate from year to year.

- **Increase School Category 2 Budgets to $250/Student, and Set All Library Budgets at $5/Sq. Foot**

While $150/student multiplier may have been sufficient for some schools that had previously wired their schools and upgraded their equipment just prior to FY 2015, it is our experience that for the majority of our schools and non-urban libraries, the original budget levels were not sufficient to meet their actual infrastructure needs.

Based on survey feedback from Pennsylvania schools, only 19% of respondents believed that the current $150/student multiplier was sufficient. In fact, more than 60% of our schools said they needed $250/student to meet their internal connections needs. Only 20% said they needed $350 or more per student. Based on this and verbal feedback from our applicants, the Pennsylvania Department of Education therefore recommends that the per-pupil budget be set at $250/student and the non-urban library budgets be increased to $5/sq. foot.

With this increase, we do not see the need to adjust the multiplier for inflation for the remainder of the 5-year cycle, nor would we need a special provision to account for part time students that attend more than one school in a district. While some schools may need more than $250/student, and some may need less, we feel this amount strikes the right balance, especially when coupled with the fact that these are pre-discount amounts, for which schools then must apply their E-rate discounts. In other words, just because the Category 2 budgets are increased doesn't mean that schools will feel flushed with funds and go on spending sprees. Because the Category 2 budgets are pre-discount, there is still a significant amount of financial responsibility required of applicants to ensure that Category 2 spending is not frivolously spent.

- **Increase Minimum Budget Floor to $30,000 for Single-School or Single-Library BENs and Establish Simple Formula to Determine Minimum BEN-Wide Category 2 Budget**

We agree that the current minimum Category 2 budget is too little to allow for the purchase or infrastructure equipment. The $9200 base budget, when coupled with the applicant's E-rate discount is barely a budget at all. Simply because a school has a small number of students doesn't scale back their infrastructure needs to that of a few wireless access points. Those schools still need switches, wireless controllers, UPSs, structured cabling, etc. Certainly, the cost to cable even the smallest school is typically no less than $15,000, pre-discount. Small schools in PA are not one-room schoolhouses that have technology infrastructure budgets of $9,200 over 5 years. We believe a more realistic minimum budget for a school should be at least $30,000 over 5 years in order to have any meaningful impact.

Having said that, we fully recognize that a per-building budget is structurally inconsistent with our previous recommendation that Category 2 budgets should move from a per-building budget to a BEN-level budget. To cure this inconsistency, we recommend the following simple formula:

$30,000 * number of schools, or enrollment * per-pupil multiplier, whichever is greater.

For example, if a district had 5 schools, with a total district enrollment of 800 students, and the budget multiplier was $250/student, the Category 2 budget would be calculated as follows:

$150,000 (5 schools * $30,000), or $200,000 (800 students * $250/students). In this case, the BEN's Category 2 budget would be $200,000 because the per pupil formula results in a higher budget. If the "floor" formula resulted in a higher budget, then that would be the set budget amount.

In the simplest of terms, applicants would first calculate the actual Category 2 budget based on student enrollment. Then they would see if that figure was less than the "budget floor" based on the # of schools. This method would also be consistent with our recommendation to simplify the intake-method for school district data. Applicants would still be required to maintain an accurate list the schools within the BEN in their EPC profiles, and that count of schools would then justify the multi-school Category 2 floor calculations. However, school districts would NOT be required to list the enrollment for each school in EPC, instead simply list the total enrollment and total NSLP at the BEN level.

IV. Take Advantage of Downstream Efficiencies that Can be Realized by Moving to BEN-level Category 2 Budget Calculations.

- **Eliminate Building-to-Building Equipment Transfer Limitations**

Currently, schools are not permitted to move equipment from school to school within three years from the date of purchase, with a limited exemption for school closures. By moving to a district-wide Category 2 budget formula, we suggest that the 3-year Equipment Transfer Rule could and should be eliminated because there would no longer be a strict limitation on Category 2 funding by school. Such a policy shift would be consistent with the Commission's desire for program simplification and acknowledgement that local officials are best suited to determine what equipment is needed for each school at any given time.

Frequently we receive inquiries from applicants that are shifting school populations to alleviate overcrowding, closing modular wings of schools or gaining an influx of students at certain schools. Each conversation is the same – they wish to move equipment from one school where is it no longer needed to another school where the need is greater. Unfortunately, the answer is always that, however logical, E-rate rules do not permit such a move and they had no choice but to keep the equipment installed in the original school building that was cited on their Form 471.

With this change, so, too, would the Equipment Transfer Notification requirement be eliminated for *closed* schools where applicants must submit a Form 500 to notify USAC where each piece of equipment was located and where and when it was moved to a different location. Not only would the elimination of this requirement benefit the applicants, but also USAC as they would no longer be required to process the submitted Form 500s.

Applicants would still be required to maintain a Fixed Asset Register (FAR) to show where the E-rate eligible equipment is located, so that in the event of an audit, the applicant could easily demonstrate the existence and location of the equipment. One of the most often cited audit findings is that equipment was not located in the schools for which was specified on the Form 471. This change would greatly reduce this common audit finding.

- **Eliminate Building-by-Building Allocation of Category 2 Equipment/Services on the Form 471**

The current Form 471 requires a large amount of very granular data related to every separate component of eligible equipment being requested, and, although it can be a heavy lift for applicants to data-enter this amount of information, we understand the need to capture this data so USAC can ensure that only eligible equipment is being funded. However, the Form 471 also requires that applicants identify which building's Category 2 budget should be used for each piece of equipment. This task is particularly burdensome for applicants trying to allocate the costs of shared equipment among multiple schools' budgets as the system does not have the functionality to perform these calculations, leaving schools to conduct these calculations off-line and then cut and paste what can be dozens or hundreds of items. It is no wonder that thousands of applicants inadvertently apply for more than their remaining Category 2 budgets each year.

If the Commission adopted district-wide Category 2 budgets, the Form 471 could be modified to only collect the make, model, quantity and unit price of the equipment, eliminating entirely the "Recipients of Service" pages/requirements of the form. This change also would greatly benefit USAC because it would reduce most PIA exceptions where applicants had exceeded their Category 2 budgets, thus leading to faster application processing and quicker funding decisions.

Understanding that the Form 471 likely would not be able to be fully revamped to accommodate this change in time to meet the opening of the FY 2020 application window, we recommend that USAC advise applicants to simply click the "share budgets equally" button to move past this requirement on the current online form. This would instruction the system to move passed the pages where applicants are required to hand-enter the Category 2 funding allocations by school.

VI. Reform Category 2 Eligible Services to Remove Inefficiencies

- **Eliminate Queen of Peace "Equivalent" Bidding Requirements for Schools and Libraries that Have Standardized on a Manufacturer**

For schools and libraries that have standardized on a certain internal connections' manufacturer, we request the Commission adopt a limited exception to the 2011 Queen of Peace Decision that requires applicants to bid "equivalent" products.[4]

We understand the original intent of the decision, which was to ensure that applicants were not specifying they would only narrowly seek services from one favored particular service provider over another. The Queen of Peace Decision specifically stated that applicants needed to consider the equivalent bids, with price being the primary factor, but that the rules did not require applicants to select the least expensive option as applicants could consider other factors in the competitive bidding process.[5] We assume that for applicants in most states, the E-rate bid evaluation options provide the needed flexibility for applicants that have standardized in a certain manufacturer.

However, in Pennsylvania, public schools have been put in a difficult position, as they are not *permitted* to consider additional bid evaluation factors during a formal sealed commodities procurement. Pennsylvania state law permits establishing that the vendor is a responsible bidder and has met the minimum qualifications in the RFP in order to be considered; however, among all bidders that have been deemed responsible and met the minimum specifications, they *must* select the low bid for equipment. Outside of E-rate, this is not a concern or barrier for local public-school officials as <u>state</u> procurement rules permit schools to specify a certain manufacturer in their bids. But because of these

[4] "For Form 470s or RFPs posted for Funding Year 2013 or thereafter, applicants must not include the manufacturer's name or brand on their FCC Form 470 or in their RFPs unless they also use the words "or equivalent" to describe the requested product or service. Such a description ("or equivalent") will prevent the Form 470 or RFPs from being construed as requiring only a specific product or service provider, which could undermine the competitive bidding process by eliminating the opportunity for the applicant to purchase an equivalent or better product that may be less expensive or to choose a less expensive service provider."

[5] 24 See 47 C.F.R. §§ 54.504(b)(vii)

conflicting rules, Pennsylvania school are caught in an untenable position of choosing between the lowest cost vendor for manufacturer product line for which they have thoughtfully standardized in their district, and complying with E-rate rules and purchasing the lowest bid amount a myriad of manufacturers that they do not wish to utilize.[6]

We should note that many Pennsylvania public schools utilize the PA State Master PEPPM Contract and conduct an E-rate compliant mini-bid procurement, as the state "low bid" requirement does not apply to state cooperative purchasing contracts. Nevertheless, we seek relief so that all Pennsylvania applicants can utilize the Form 470 bidding process without fear that they must accept a low bid from a manufacturer that is different from which they have adopted standards in their district.

In cases where applicants have not standardized in a specific manufacturer's platform (starting from "greenfield") whereby the new equipment would not be limited in any way by previously purchased equipment or established platforms, such a requirement to evaluate "equivalent" products would continue to be required. Further, applicants should not be permitted to request services from only certain vendors or resellers, such as "Comcast" or "CDW-G," on their Form 470s.

- **Simplify Category 2 by Eliminating Separate Sub-Categories**

We recommend that the three Category 2 subcategories (MIBS, BMIC and IC) should be collapsed on the Form 470 into a single Category 2 category and the subcategories should be removed entirely. Further, assuming maintenance and MIBS

[6] Because of this allowance to name a manufacturer, and because no Priority 2 funding was awarded between the FY 2013 effective date of the Queen of Peace Decision and FY 2014, schools were not faced with this situation until FY 2015.

continue as an eligible service, there should simply be additional questions or checkboxes added to the equipment type page that read:

“Do you want installation/configuration for this equipment”

“Do you want to consider manufacturer support services or basic maintenance services for this equipment?”

“Do you wish to consider Managed Internal Broadband Services (MIBS) for this equipment?”

The separate Category 2 categories are a relic from the 2/5 Priority 2 era and should be removed as they no longer serve a purpose except to provide a “gotcha” and reason for denial.

- **Allow Upfront Funding of Manufacturer Support Agreements**

Currently, multi-year manufacturer support contracts are required to be amortized and applied for on an annual basis even though applicants pre-pay for them in the first year of the contract. We recommend the Commission permit the cost of these manufacturer support contracts to be funded upfront, in a single year as is currently permitted for multi-year equipment *license* contracts. Similar to the equipment licenses, it is presumed that the multi-year support contract would be paid in full in the first year of the contract. Certainly, schools and libraries have a finite amount of Category 2 funding available, whether it is used in Year 1, or spread out over multiple years. By allowing a single FRN for these multi-year contracts, it will reduce the burden on applicants to remember to submit for these amortized amounts in the out-years of the contract, and will reduce the number of FRNs which will reduce PIA workload and speed processing of other applications. Just like right-to-use licenses, pre-paid, multi-year warranty agreements should be fully eligible in the year of purchase as part of Category 2 and considered to be one-time charges that are concurrent with the equipment purchase.

- **Allow Manufacturer Warranties to Follow the Purchase Date of Equipment, not the E-rate Funding Year**

Currently, E-rate will only pay for the period of the manufacturer warranty that occurs from July 1 – June 30, despite the fact that equipment is often purchased between April 1 – June 30, prior to the funding year – or after July 1. When either one of these two scenarios happen, applicants are not able to obtain E-rate funding for a full 12 months of the warranty. Certainly, vendors classify these as one-time purchases and do not consider these as monthly recurring services. The E-rate program started to consider these as recurring services when the program adopted the 2/5 rule, because in doing so, applicants could apply for E-rate funding on maintenance services on an annual basis and not be restricted to purchasing them every two years. Obviously, this 2/5 restriction no longer exists, yet the downstream burdens created by 2/5, such as classifying maintenance services as recurring services, remain.

We recommend that maintenance services be considered a one-time purchase, and not a monthly recurring cost, thus removing the pro-ration requirement that is currently placed on maintenance services. In doing so, applicants will be permitted to make the one-time purchase of manufacturer's warranty that coincides with the product purchase.

- **Eliminate Cost Allocation for Structured Cabling and Other Equipment**

Recently, we have become aware that USAC is requiring a cost allocation during PIA review or issuing commitment adjustments during audits where they find that structured cabling is connected to devices or drops that are deemed "ineligible." In a school or library, we cannot imagine what devices would be connected to a cable drop that would not be used for an educational purpose. This would include end-user computers, smart boards, security cameras, switches, etc. We request the Commission to take this opportunity to clarify that communications cabling and data distribution devices inside eligible facilities serving eligible students/patrons is eligible regardless of what end-user equipment is attached to the cabling or data distribution device.

Unnecessary cost allocations needlessly increase the complexity of the program and should be eliminated or avoided whenever possible. Other currently required cost allocations that should be considered for reform are network cards in UPSs, firewall advanced features, and shared equipment used in NIFs.

The Pennsylvania Department of Education appreciates the opportunity to submit comments in this proceeding and looks forward to working with the Commission to enact meaningful Category 2 and other reforms to simplify the E-rate program.

Respectfully submitted,

/s/ David W. Volkman

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